



December 14, 2009

The Honorable Charles Terreni
Chief Clerk and Administrator
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211

Dear Mr. Terreni:

On August 18, 2009, Progress Energy Carolinas, Inc. ("PEC") filed an application with the North Carolina Utilities Commission ("NCUC") for a certificate of public convenience and necessity to construct a 950-megawatt ("MW") combined cycle natural gas-fired electric generating facility at its Lee Plant site in Wayne County. On October 22, 2009, the NCUC approved the application. Upon completion of the new facility, PEC will permanently cease operation of the three coal-fired generating units that are presently in operation at the Lee Plant site. On or before 2017, PEC also intends to use the generation capacity provided by the new natural gas combined cycle unit to retire PEC's coal units at its Cape Fear and Weatherspoon plant sites. In addition, PEC intends to construct a new 600 MW natural gas combined cycle facility at its Sutton Plant site near Wilmington, North Carolina and retire the three coal units at that site. None of the coal units PEC intends to retire have sulfur dioxide emissions control equipment and PEC's analysis indicates that it is more cost effective to retire and replace these plants than install the necessary emissions controls and continue operating them.

The purpose of this letter is to advise the Public Service Commission of South Carolina ("the Commission") that PEC will continue depreciating all of these coal units using the depreciation rates filed with the Commission in Docket No. 2004-71-E, until PEC completes a new depreciation study and files it with the Commission.

Commission Order No. 88-864 issued in Docket No. 88-11-E, requires electric utilities to follow the Federal Energy Regulatory Uniform System of Accounts (FERC USoA) unless otherwise ordered by the Commission. Section 10.B(2) of the FERC USoA, under "Additions and Retirements of Electric Plant," provides as follows:

When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

Accordingly, when the Lee, Cape Fear, Sutton and Weatherspoon coal units are retired from electric plant, the book cost of the units will be credited to the electric plant account and charged to accumulated depreciation in accordance with the procedures for normal retirements of electric plant. The estimated net book value of these units at date of retirement is approximately \$132 million to \$142 million, depending on the retirement dates.

PEC intends to complete a new depreciation study on or before March 31, 2013. The remaining unrecovered balance of the Lee, Cape Fear, Sutton and Weatherspoon units will be explicitly addressed in that study. Prior to filing the study with the Commission, PEC will consult with the Office of Regulatory Staff regarding the appropriate amortization period to use for that unrecovered balance.

Yours very truly,



Len S. Anthony
General Counsel
Progress Energy Carolinas, Inc.

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c: Office of Regulatory Staff

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